

# **Tobin & Co.**

Garfield Township

Kalkaska County, Michigan

Audit Report

For the Year Ended March 31, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Garfield Township	County* Kalkaska	Type* Township	MuniCode* 401070
Opinion Date-Use Calendar* 8/26/08	Audit Submitted-Use Calendar* 9/30/08	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? 160379
General Fund Expenditure:	? 180009
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? 263673
Governmental Activities Long-Term Debt (see instructions):	? -0-

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DAVID	Last Name* BASLER	Ten Digit License Number* 1101013418		
CPA Street Address* 400 E. Eighth St.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 231 947-0151
CPA Firm Name* Iobin & Co., PC	Unit's Street Address*	Unit's City*	Unit's Zip*	

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# **Tobin & Co.**

## INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have audited the basic financial statements of Garfield Township, Kalkaska County, for the year ended March 31, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Garfield Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### General

The records were maintained in good condition by your present Clerk. Journals and ledgers were for the most part properly posted, Board minutes were in good order, and supporting documents and follow-up procedures appeared to be in good order.

### Budgets and Procedures

The Township prepared and formally adopted budgets for its General and Fire Funds.

### Property Tax Collections

2007 property taxes collected were distributed to all taxing units except Township Funds prior to the end of the fiscal year. The State of Michigan requires that all taxes must be distributed to local units by April 1.

### Property Tax Administration Fees

As permitted by statute, an administration fee of 1% was levied on all 2007 property taxes. Fees collected may be used only to offset such property tax administration costs as assessing, collecting, and the review and appeal process. Costs exceeded the amount collected by \$9,220. A substantial balance of unrecovered costs remains from prior years.

### Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, equipment, errors and omissions, crime and workmen's compensation. Coverage was reviewed during the audit year. The Clerk, Treasurer, Deputy Clerk, Deputy Treasurer, and Supervisor have surety bond coverage.

### Payroll Procedures

Payroll procedures and filing of payroll tax returns were handled in a proper manner by the Township Clerk.

### Other Data

We noted the use of an interest bearing money market account and certificates of deposit during the audit year. This practice resulted in earned interest of \$10,751 for the audit year. We commend the Treasurer and other Board members for the practices and policies which resulted in this additional revenue.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field auditor in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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## **Tobin & Co.**

### FINANCIAL SECTION

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## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Garfield Township  
Kalkaska County  
Fife Lake, Michigan 49633

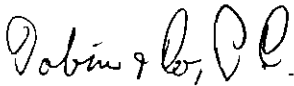
We have audited the accompanying financial statements of the governmental activities and each major fund of Garfield Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of Garfield Township at March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Garfield Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.  
Certified Public Accountants  
August 26, 2008

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## GARFIELD TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of the Garfield Township, Kalkaska County, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Garfield Township for the fiscal year ended March 31, 2008.

### Financial Highlights

The assets of Garfield Township exceeded its liabilities at the close of the most recent fiscal year by \$783,401. Of this amount, \$357,327 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$344,754, a decrease of \$16,416 in comparison with the prior year. The total amount, \$344,754 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$263,673, or 146% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Garfield Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

#### 1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-section business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General Government, Public Safety, Road Projects, Spring Cleanup, Hospital Subsidy, Parks, and Township Improvements. Garfield Township has no business-type activities.

#### 2. Fund Financial Statements

A **fund** is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Garfield Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Garfield Township are categorized as governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Garfield Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund, which are considered to be major funds. All Township government activities are included in these two funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.



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**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial resources of those funds are not available to support the Township's own programs.

The basic fiduciary fund financial statements can be found on page 14 of this report.

## 3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### General Fund Analysis and Highlights

Township General Fund operations were consistent with prior years in receipts of revenues and provision of services.

### Analysis of Balances and Transactions of the Fire Fund.

Township Fire Fund operations were consistent with prior years in receipts of revenues and provision of services.

### Condensed Financial Information

#### Net Assets

	Governmental and Total Activities	
	<u>3/31/08</u>	<u>3/31/07</u>
Current Assets	\$ 357,327	\$ 367,941
Capital Assets	<u>426,074</u>	<u>432,207</u>
Total Assets	783,401	800,148
Net Assets:		
Investment in Capital Assets	426,074	432,207
Unrestricted	<u>357,327</u>	<u>367,941</u>
Total Net Assets	<u>\$ 783,401</u>	<u>\$ 800,148</u>

#### Activities

	Governmental and Total Activities	
	<u>3/31/08</u>	<u>3/31/07</u>
Program Revenues:		
Charges for Services	\$ 19,081	\$ 16,587
Operating Grants	11,441	10,806
General Revenues:		
Property Taxes	114,994	113,629
State Shared Revenues	54,628	54,176
Other	<u>30,319</u>	<u>15,858</u>
Total Revenues	<u>230,463</u>	<u>211,056</u>
Expenses:		
Legislative	10,469	10,858
General Government	122,426	118,516
Public Safety	103,540	105,831
Public Works	8,070	9,328
Health and Welfare	335	335
Recreation and Culture	<u>2,371</u>	<u>2,162</u>
Total Expenses	<u>247,211</u>	<u>247,030</u>
Change in Net Assets	<u>\$ (16,748)</u>	<u>\$ (35,974)</u>

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## **Capital Asset and Debt Administration**

### **Capital Assets**

The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounts to \$426,074. This investment in capital assets includes: several parcels of land, Township Halls, Fire and Rescue Trucks and Equipment, and Computers. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful life.

### **Cash Assets**

At the end of the current fiscal year, the Township had \$328,530 in cash and other spendable assets. Of this amount, \$328,530 was held in the Township's bank accounts. The Township is limited by State law in how it can invest these funds and we have made no changes in our investment strategy in several years.

### **Long-term Debt**

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

### **Currently Known Facts Affecting Future Operations**

The Township will continue to restore the original Township Hall, expand Cemetery property, update and improve the Veterans Memorial Park, and update and improve Fire Department equipment.

### **Requests for Information**

This financial report is designed to provide a general overview of Garfield Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Clerk's office.

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## Garfield Township Statement of Net Assets March 31, 2008

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u> <u>And Total</u>
<u>Assets</u>	
Cash	\$ 262,788
Receivables	12,573
Due from Other Units	14,129
Due from Tax Collection Fund	65,742
Prepaid Expenses	2,095
Capital Assets:	
Land	53,253
Other Capital Assets, Net of Depreciation	<u>372,821</u>
Total Capital Assets	<u>426,074</u>
Total Assets	<u>783,401</u>
<u>Liabilities</u>	
Accounts Payable	<u>-</u>
Total Liabilities	<u>-</u>
<u>Net Assets</u>	
Invested in Capital Assets	426,074
Restricted for:	
Fire Protection	87,635
Unrestricted	<u>269,692</u>
Total Net Assets	<u>\$ 783,401</u>

See Accompanying Notes to Basic Financial Statements

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## Garfield Township Statement of Activities March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities and Total</u>
Governmental Activities:				
Legislative	\$ 10,469	\$ -	\$ -	\$ (10,469)
General Government	122,426	7,498	-	(114,928)
Public Safety	103,540	11,583	4,240	(87,717)
Public Works	8,070	-	6,736	(1,334)
Health and Welfare	335	-	-	(335)
Recreation and Culture	<u>2,371</u>	<u>-</u>	<u>465</u>	<u>(1,906)</u>
Total Governmental Activities	<u>\$ 247,211</u>	<u>\$ 19,081</u>	<u>\$ 11,441</u>	<u>(216,689)</u>
General Revenues:				
Taxes				114,994
State Grants				54,628
Unrestricted Investment Earnings				10,751
Miscellaneous				<u>19,568</u>
Total General Revenues				199,941
Change in Net Assets				(16,748)
Net Assets -- Beginning				<u>800,149</u>
Net Assets -- Ending				<u>\$ 783,401</u>

See Accompanying Notes to Basic Financial Statements

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## Garfield Township Balance Sheet Governmental Funds March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 262,788	\$ -	\$ 262,788
Delinquent Taxes Receivable	6,019	6,554	12,573
Due from Other Funds	35,135	81,081	116,216
Due from Other Units	14,129	-	14,129
Prepaid Expenses	<u>2,095</u>	<u>-</u>	<u>2,095</u>
Total Assets	<u>\$ 320,166</u>	<u>\$ 87,635</u>	<u>\$ 407,801</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to Other Funds	\$ 50,474	\$ -	\$ 50,474
Deferred Revenue	<u>6,019</u>	<u>6,554</u>	<u>12,573</u>
Total Liabilities	<u>56,493</u>	<u>6,554</u>	<u>63,047</u>
Fund Balances:			
Unreserved	<u>263,673</u>	<u>81,081</u>	<u>344,754</u>
Total Fund Balances	<u>263,673</u>	<u>81,081</u>	<u>344,754</u>
Total Liabilities and Fund Balances	<u>\$ 320,166</u>	<u>\$ 87,635</u>	
Amounts reported for governmental activities on the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			426,074
Delinquent property taxes received after 60 days are recognized as revenues and not deferred for the statement of net assets.			<u>12,573</u>
Net assets of governmental activities.			<u>\$ 783,401</u>

See Accompanying Notes to Basic Financial Statements

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## Garfield Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Total</u>
<b><u>Revenues</u></b>			
Taxes	\$ 75,285	\$ 33,908	\$ 109,193
Fines and Forfeits	21	-	21
Licenses and Permits	300	-	300
Federal Grants	465	-	465
State Grants	64,729	875	65,604
Charges for Services	6,583	11,262	17,845
Interest and Rents	11,666	-	11,666
Other	<u>1,330</u>	<u>18,238</u>	<u>19,568</u>
Total	<u>160,379</u>	<u>64,283</u>	<u>224,662</u>
<b><u>Expenditures</u></b>			
Legislative	10,469	-	10,469
General Government	75,990	-	75,990
Public Safety	21,680	39,069	60,749
Public Works	8,070	-	8,070
Health and Welfare	335	-	335
Parks and Recreation	2,371	-	2,371
Other	28,702	-	28,702
Capital Outlay	<u>32,392</u>	<u>22,000</u>	<u>54,392</u>
Total	<u>180,009</u>	<u>61,069</u>	<u>241,078</u>
<b><u>Excess Revenues (Expenditures) and</u></b>			
<b><u>Net Change in Fund Balances</u></b>	(19,630)	3,214	(16,416)
Fund Balance – Beginning of Year	<u>283,303</u>	<u>77,867</u>	
Fund Balance – End of Year	<u>\$ 263,673</u>	<u>\$ 81,081</u>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets over their estimated useful lives is reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.			(6,133)
Governmental funds defer taxes received more than 60 days after the year end. However, in the statement of activities these revenues are recognized. Deferred revenues exceeded prior year deferrals.			<u>5,801</u>
Change in net assets of governmental activities			<u>\$ (16,748)</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Garfield Township Statement of Fiduciary Net Assets March 31, 2008

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 65,742</u>
Total Assets	<u>65,742</u>
Liabilities	
Due to Other Funds	<u>65,742</u>
Total Liabilities	<u>65,742</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Garfield Township Notes to Financial Statements March 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Garfield Township is a general law township located in Kalkaska County. Population as of the 2000 census was 794, and the current taxable value is \$35,412,475.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.



# **Tobin & Co.**

## **Garfield Township Notes to Financial Statements March 31, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **C. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

#### **D. Budgets**

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

#### **E. Capital Assets**

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

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## Garfield Township Notes to Financial Statements March 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Capital Assets (Continued)

Assets capitalized have an original cost of \$1,000 to \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings	40 years
Building Improvements	20 years
Furniture and Fixtures	10 years
Vehicles	10 years
Equipment	5 years
Office Furniture	5 years
Computer Equipment	5 years

#### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$ 62,663,063	\$ 35,412,475	.7303
Fire Protection	\$ 62,663,063	\$ 35,412,475	.9680

#### G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2008.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2008, no activity overexpended its budget without formal Board amendment.

# Tobin & Co.

Garfield Township  
Notes to Financial Statements  
March 31, 2008

## NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

### B. Types of Deposits and Investments

The Township had \$334,991 deposited with local financial institutions at March 31, 2008 with a carrying value of \$328,530. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$18,587 of uninsured deposits at March 31, 2008.

## NOTE 4 - CAPITAL/INTANGIBLE ASSETS

	<u>3/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/08</u>
Governmental Activities:				
Land and Improvements	\$ 177,933	\$ 31,253	\$ -	\$ 209,186
Buildings and Improvements	179,395	-	-	179,395
Machinery and Equipment	224,345	1,139	-	225,484
Furniture and Fixtures	5,564	-	-	5,564
Vehicles	<u>322,705</u>	<u>22,000</u>	<u>28,000</u>	<u>316,705</u>
Total	909,942	54,392	28,000	936,334
Less Accumulated Depreciation	<u>(477,735)</u>	<u>(60,525)</u>	<u>(28,000)</u>	<u>(510,260)</u>
Governmental Activities Capital Assets, Net	<u>\$ 432,207</u>	<u>\$ (6,133)</u>	<u>\$ -</u>	<u>\$ 426,074</u>

# **Tobin & Co.**

## **Garfield Township Notes to Financial Statements March 31, 2008**

### **NOTE 5 - LONG-TERM DEBT**

The Township has no long-term debt at March 31, 2008, and no borrowing is anticipated in the near future.

### **NOTE 6 - LOANS AND TRANSFERS BETWEEN FUNDS**

There were no inter-fund loans, advances or transfers during the audit year. Fire Fund cash is kept in the General Fund cash account and recorded as a due to and due from in the respective funds.

### **NOTE 7 - INVENTORIES**

Garfield Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

### **NOTE 8 - PENSION PLAN**

The Township does not participate in a pension plan. The Township provides Social Security coverage for all its officials and employees.

### **NOTE 9 - ACCOUNTS/TAXES RECEIVABLE**

Delinquent taxes receivable of \$6,019 in the General Fund and \$6,554 in the Fire Fund represent 2007 real property tax and property tax administration fees returned delinquent to the County Treasurer for collection as of March 1, 2008.

### **NOTE 10 - PROPERTY TAX ADMINISTRATION FEES**

As permitted by statute, the Township levied a 1% administration fee on all 2007 property taxes. This fee may be used only to offset such property tax administration expenses as assessing, collecting, and the review and appeal process. For the audit year, administration costs exceeded fee collections by \$9,220.

### **NOTE 11- RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

### **NOTE 12- COMPENSATED ABSENCES**

The Township provides no payment to employees for unused sick leave, accumulated leave, etc..

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Taxes	\$ 26,000	\$ 26,000	\$ 23,090	\$ (2,910)
Delinquent Taxes	4,000	4,000	1,906	(2,094)
Property Tax Administration Fees	10,000	10,000	11,947	1,947
Penalties and Interest on Taxes	-	-	617	617
Swamp Tax	37,411	37,411	37,411	-
Commercial Forest	-	-	314	314
Fines and Forfeits:				
Zoning	-	-	21	21
Licenses and Permits:				
Land Use	1,200	1,200	300	(900)
Federal Grants:				
Recreation	-	-	465	465
State Grants:				
State Shared Revenues	54,000	54,000	54,628	628
Liquor Law Enforcement	385	385	385	-
Bankhead Jones	-	-	2,854	2,854
Metro Act	-	-	3,882	3,882
Snowmobile	-	-	2,980	2,980
Charges for Services:				
Summer Tax Collection	5,000	5,000	4,593	(407)
Fees	3,500	3,500	1,445	(2,055)
Sales	160	160	545	385
Interest and Rents:				
Interest	6,000	6,000	10,751	4,751
Rents	400	400	915	515
Other:				
Refunds and Reimbursements	-	-	1,140	1,140
Donations	-	-	149	149
Miscellaneous	-	-	41	41
Total Revenues	<u>148,056</u>	<u>148,056</u>	<u>160,379</u>	<u>12,323</u>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	3,000	-
Supplies and Postage	-	-	429	-
Professional Fees	-	-	4,470	-
Dues	-	-	682	-
Printing and Advertising	-	-	122	-
Education and Training	-	-	285	-
Other	-	-	1,481	-
Total	<u>12,000</u>	<u>12,000</u>	<u>10,469</u>	<u>1,531</u>
Total Legislative	<u>12,000</u>	<u>12,000</u>	<u>10,469</u>	<u>1,531</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Expenditures (Continued)</u></b>				
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	6,750	-
Supplies and Postage	-	-	182	-
Mileage and Travel	-	-	122	-
Telephone	-	-	50	-
Total	<u>8,500</u>	<u>8,500</u>	<u>7,104</u>	<u>1,396</u>
Elections:				
Salaries and Wages	-	-	2,662	-
Supplies	-	-	594	-
Mileage and Travel	-	-	100	-
Other	-	-	22	-
Total	<u>8,000</u>	<u>8,000</u>	<u>3,378</u>	<u>4,622</u>
Assessor:				
Contractual Services	-	-	9,167	-
Supplies and Postage	-	-	1,402	-
Printing and Publishing	-	-	83	-
Total	<u>15,000</u>	<u>15,000</u>	<u>10,652</u>	<u>4,348</u>
Clerk:				
Salaries and Wages	-	-	9,070	-
Supplies and Postage	-	-	533	-
Mileage and Travel	-	-	972	-
Accounting	-	-	140	-
Other	-	-	66	-
Total	<u>13,000</u>	<u>13,000</u>	<u>10,781</u>	<u>2,219</u>
Board of Review:				
Salaries and Wages	-	-	1,350	-
Mileage and Travel	-	-	65	-
Printing and Publishing	-	-	59	-
Education and Training	-	-	334	-
Total	<u>3,000</u>	<u>3,000</u>	<u>1,808</u>	<u>1,192</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Treasurer:				
Salaries and Wages	-	-	13,511	-
Supplies and Postage	-	-	6,210	-
Education	-	-	950	-
Contractual Services	-	-	425	-
Telephone	-	-	37	-
Mileage and Travel	-	-	986	-
Other	-	-	47	-
Total	<u>20,000</u>	<u>24,600</u>	<u>22,166</u>	<u>2,434</u>
Township Hall and Grounds:				
Salaries and Wages	-	-	1,080	-
Repairs and Maintenance	-	-	994	-
Contractual Services	-	-	2,750	-
Telephone	-	-	455	-
Printing and Publishing	-	-	62	-
Public Utilities	-	-	4,375	-
Other	-	-	1,310	-
Total	<u>20,000</u>	<u>20,000</u>	<u>11,026</u>	<u>8,974</u>
Cemetery:				
Salaries and Wages	-	-	4,323	-
Supplies	-	-	1,886	-
Contractual Services	-	-	725	-
Mileage and Travel	-	-	90	-
Maintenance and Repairs	-	-	2,051	-
Total	<u>10,000</u>	<u>10,000</u>	<u>9,075</u>	<u>925</u>
Total General Government	<u>97,500</u>	<u>102,100</u>	<u>75,990</u>	<u>26,110</u>
Public Safety:				
Police Protection:				
Salaries and Wages	-	-	2,400	-
Supplies	-	-	1,087	-
Telephone	-	-	20	-
Printing and Publishing	-	-	408	-
Maintenance and Repairs	-	-	1,134	-
Total	<u>7,000</u>	<u>7,000</u>	<u>5,049</u>	<u>1,951</u>
Fire Protection:				
Contractual Services	<u>1,000</u>	<u>1,000</u>	<u>513</u>	<u>487</u>
Liquor Inspector:	<u>385</u>	<u>385</u>	<u>385</u>	-

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Planning and Zoning:				
Salaries and Wages	-	-	10,430	-
Supplies and Postage	-	-	311	-
Legal	-	-	3,308	-
Mileage and Travel	-	-	512	-
Printing and Publishing	-	-	402	-
Education and Training	-	-	585	-
Other	-	-	185	-
Total	<u>25,000</u>	<u>25,000</u>	<u>15,733</u>	<u>9,267</u>
Total Public Safety	<u>33,385</u>	<u>33,385</u>	<u>21,680</u>	<u>11,705</u>
Public Works:				
Roads	<u>2,000</u>	<u>2,000</u>	-	<u>2,000</u>
Spring Cleanup:				
Contractual	-	-	8,070	-
Total	<u>12,000</u>	<u>12,000</u>	<u>8,070</u>	<u>3,930</u>
Total Public Works	<u>14,000</u>	<u>14,000</u>	<u>8,070</u>	<u>5,930</u>
Health and Welfare:				
Hospital Subsidy	<u>335</u>	<u>335</u>	<u>335</u>	-
Total Health and Welfare	<u>335</u>	<u>335</u>	<u>335</u>	-
Recreation and Culture:				
Parks:				
Supplies	-	-	1,220	-
Public Utilities	-	-	302	-
Maintenance and Repairs	-	-	849	-
Total	<u>4,500</u>	<u>4,500</u>	<u>2,371</u>	<u>2,129</u>
Total Recreation and Culture	<u>4,500</u>	<u>4,500</u>	<u>2,371</u>	<u>2,129</u>
Other:				
Employee Benefits and Insurance	36,000	36,000	28,702	7,298
Contingencies	<u>10,000</u>	<u>10,000</u>	-	<u>10,000</u>
Total Other	<u>46,000</u>	<u>46,000</u>	<u>28,702</u>	<u>17,298</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 5

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Capital Outlay	<u>40,000</u>	<u>40,000</u>	<u>32,392</u>	<u>7,608</u>
Total Expenditures	<u>247,720</u>	<u>252,320</u>	<u>180,009</u>	<u>72,311</u>
Excess Revenues (Expenditures)	(1) <u>\$ (99,664)</u>	<u>\$ (104,264)</u>	<u>(19,630)</u>	<u>\$ 84,634</u>
Fund Balance – Beginning of Year			<u>283,303</u>	
Fund Balance – End of Year			<u>\$ 263,673</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Fire Fund  
For the Year Ended March 31, 2008

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Taxes:				
Current Taxes	\$ 32,000	\$ 32,000	\$ 30,607	\$ (1,393)
Delinquent Taxes	2,500	2,500	3,292	792
Commercial Forest	-	-	9	9
State Grants:				
Natural Resources	-	-	875	875
Charges for Services:				
Contractual Services	8,600	8,600	10,512	1,912
Other	-	-	750	750
Other:				
Refunds and Reimbursements	-	-	13,338	13,338
Sale of Capital Assets	-	-	4,500	4,500
Donations	-	-	400	400
Total	<u>43,100</u>	<u>43,100</u>	<u>64,283</u>	<u>21,183</u>
<b><u>Expenditures</u></b>				
Salaries and Wages	-	-	14,695	-
Supplies and Postage	-	-	8,244	-
Contractual Services	-	-	1,850	-
Telephone	-	-	439	-
Public Utilities	-	-	4,220	-
Maintenance and Repairs	-	-	8,324	-
Other	-	-	1,297	-
Capital Outlay	-	-	22,000	-
Total	<u>40,000</u>	<u>64,096</u>	<u>61,069</u>	<u>3,027</u>
Excess Revenues (Expenditures)	<u>\$ 3,100</u>	<u>\$(1) (20,996)</u>	3,214	<u>\$ 24,210</u>
Fund Balance – Beginning of Year			<u>77,867</u>	
Fund Balance – End of Year			<u>\$ 81,081</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Garfield Township 2007 Property Tax Levy and Collections For the Year Ended March 31, 2008

Schedule 3

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	6.4538	\$ 244,318	\$ 208,596	\$ 35,722
Hospital	1.6000	61,588	50,594	10,994
SportsPlex	0.7300	27,981	23,080	4,901
Public Transit Authority	0.2500	9,564	7,901	1,663
State Education	6.0000	227,976	194,714	33,262
School District	19.7500	405,577	373,379	32,198
School District	19.1543	40,427	31,328	9,099
Intermediate School District	2.9334	111,519	94,488	17,031
Township - General	0.7303	28,070	23,090	4,980
- Fire	0.9680	<u>37,165</u>	<u>30,607</u>	<u>6,558</u>
Total		<u>\$ 1,194,185</u>	<u>\$ 1,037,777</u>	<u>\$ 156,408</u>
Percent of Levy Collected	86.90%			

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Balance  
Property Tax Administration Fees  
For the Year Ended March 31, 2008

Schedule 4

Revenues

Property Tax Administration Fees	\$ 11,947
Summer Tax Collection Fees	<u>4,593</u>
Total	<u>16,540</u>

Expenditures

Assessor	10,652
Board of Review	1,808
Treasurer – 60%	<u>13,300</u>
Total	<u>25,760</u>
Excess Revenues (Expenditures)	<u>\$ (9,220)</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

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# Tobin & Co.

To the Township Board  
Garfield Township

We have audited the financial statements of Garfield Township for the year ended March 31, 2008 and have issued our report thereon dated August 26, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 24, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Garfield Township. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Township as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process or report financial data reliably in accordance with

## **Tobin & Co.**

generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

### Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

### Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other townships of its size.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Garfield Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Township during the year that were both significant and unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

# **Tobin & Co.**

## Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

## Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Township's financial reporting process.

## Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



## **Tobin & Co.**

### No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Township Board and management of Garfield Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Tobin & Co., P.C.".

Tobin & Co., P.C.

August 26, 2008